

California

Dairy Review

A publication serving the California dairy industry for over 11 years

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Department Issues Class 1 Decision

On December 5, 2006, the Department held a public hearing to consider amendments to the Northern and Southern California Stabilization and Marketing Plans for Market Milk. The amendments under consideration regarded changes to the Class 1 pricing formula.

Having carefully weighed the contents of the hearing records, the Department has decided to:

- Adopt a butter adjuster of $-\$0.118/\text{lb.}$
- Include a dry whey factor with an adjuster of $-\$0.85/\text{cwt.}$ in the CRP portion of the Class 1 pricing formula.
- Adopt a CRP adjuster of $+\$0.147/\text{cwt.}$

The adjustments to the Plans will take effect for milk delivered to processing plants on or after February 1, 2007.

Copies of the Hearing Determinations and a more detailed explanation of the Department's decision may be obtained from the Dairy Marketing Branch website at www.cdfa.ca.gov/dairy. From this page, click on [Announcements, Hearings and Statutes] and then on the [Dairy Hearings Matrix] link.

Please call Dave Ikari, Dairy Marketing Branch, at (916) 341-5988 if you have any questions. ☀



California Department of Food and Agriculture
A.G. Kawamura, Secretary

 California Dairy Producer News

Production, Prices, Quota Transfers, Alfalfa

December Milk Production

Milk production in California for December 2006 totaled 3.295 billion pounds, up 3.7 percent from December 2005. USDA's estimate for U.S. milk production for December 2006 in the 23 major dairy states is 14.0 billion pounds, up 2.7 percent from December 2005. Production per cow in the 23 major states averaged 1,689 pounds for December, 26 pounds more than December 2005. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	Dec	Jan	Feb
1	\$13.48	\$13.87	\$15.22
2	\$11.99	\$11.99	N/A
3	\$11.82	\$11.82	N/A
4a	\$11.65	N/A	N/A
4b	\$12.37	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Dec	Jan	Feb
Phoenix, Arizona	\$14.78	\$15.94	\$15.74
Southern California	\$13.61	\$14.00	\$15.37
Portland, Oregon	\$14.33	\$15.49	\$15.29
Northern California	\$13.34	\$13.73	\$15.10
Boston (Northeast)	\$15.68	\$16.84	\$16.64

Quota Transfer Summary

For December 2006, six dairy producers transferred 13,117 pounds of SNF quota. December quota sales averaged \$502 per pound of SNF (without cows), average ratio of 2.48. For January 2007, six dairy producers transferred 12,485 pounds of SNF quota. December quota sales averaged \$498 per pound of SNF (without cows), average ratio of 2.41. ☀

Alfalfa Update: January

Northern California: Premium and Supreme alfalfa were a very light test, very light supplies with good demand. Fair and Good alfalfa was steady steady to firm with good demand and light supplies. Retail and Stable hay was steady with moderate demand and supplies. Cold weather was the story for weather and the state is still very dry.

Southern California: Premium alfalfa was steady to firm with good demand and light supplies. Fair and Good alfalfa was steady to firm with moderate demand and light supplies. Retail and stable hay was steady with good demand and moderate supplies. Cold and dry was the continuing weather story for this area. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	12/29	1/5	1/12	1/19
Petaluma	N/A	N/A	\$200	\$200
North Valley ¹	N/A	\$185-200	\$177-200	\$180-200
South Valley ²	N/A	\$195	\$175-195	\$192-197
Chino Valley	N/A	N/A	N/A	N/A

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

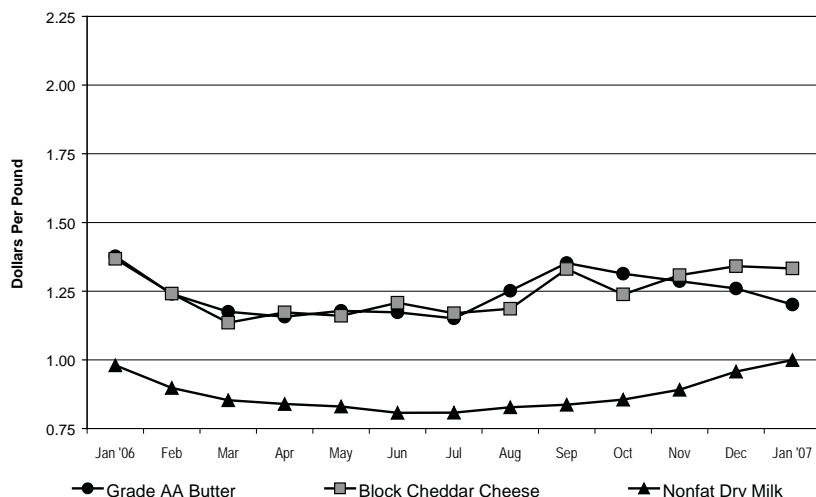
	December	January
Tons Sold ¹	62,402	36,515
Tons Delivered ²	25,945	25,655

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices





January 12, 2007

DAIRY INDUSTRY ADVISORY

FDA's TACO JOHN'S OUTBREAK INVESTIGATION FOCUSES ON LETTUCE FIELDS AND NEARBY DAIRY

The Food and Drug Administration (FDA) today announced that it has moved closer to identifying the source of illness for the Taco John E. coli outbreak. FDA and the state of California, working in conjunction with state health officials in Minnesota, Iowa, and Wisconsin, have DNA-matched the strain of E. coli O157:H7 bacteria associated with the outbreak with two environmental samples gathered from dairy farms near a lettuce growing area in California's Central Valley.

Laboratory analysis of the bacterial strain from the Taco John's outbreak, however, showed that it was unrelated to the strains causing illness in two other, separate outbreaks last year, one associated with lettuce from Taco Bell restaurants and another from raw spinach grown in California's Salinas Valley.

These findings have no food safety implications for consumers of pasteurized dairy products since sanitation requirements and routine milk pasteurization eliminates the danger of food-borne pathogens, including *E. coli* O157:H7.

Human infection with some subtypes of *E. coli* (such as "O157:H7") can result in bloody diarrhea, kidney failure (particularly in children and elderly) and even death. The organism can be carried in the intestines of healthy animals, especially cattle and other ruminants. Historically most human illnesses were linked to eating undercooked, contaminated ground beef. Increasingly however, outbreaks are being linked to the consumption of uncooked produce, particularly leafy green vegetables.

Recent advances in laboratory methods ("DNA fingerprinting") are allowing disease investigators to more accurately determine possible sources of food- and water- borne outbreaks. In last year's *E. coli* O157-H7 spinach outbreak investigation, the bacterial strain (which sickened 200 people in 26 states and killed three) was also isolated from several samples taken from the environment near the implicated spinach fields including water, local feral pigs and cattle manure in grazing pastures.

While in both outbreaks the causative *E. coli* strains were found near the implicated lettuce and spinach fields, in neither case have investigators determined exactly how the bacteria was transferred to the crop. Potential scenarios include accidental transport by manure, workers, machinery, wildlife or water. Recent events should serve as a critical reminder of the potential for inadvertent contamination of fresh produce from animal manure.

Dairy producers can limit the potential for such contamination originating from their dairy by being aware if fresh produce is being grown in the vicinity and how their facility's manure management system might impact those crops.

Working collaboratively through the Western Institute of Food Safety and Security (WIFSS), key academic, industry and government specialists are developing Best Management Practices (BMPs) for dairy producers related to manure pathogens. Similarly, the fresh produce industry is finalizing draft guidance documents for growers. Initial guidance can be found at: www.cfsan.fda.gov/~acrobat/lettsup.pdf.

USDA Proposed to Allow Additional Imports from BSE Minimal-Risk Countries

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service announced a proposal to expand the list of allowable imports from countries recognized as presenting a minimal risk of introducing bovine spongiform encephalopathy (BSE) into the United States. Currently, Canada is the only minimal-risk country designated by the United States.

"This proposal would continue to protect against BSE in the United States while taking the next step forward in our efforts to implement science-based trade relations with countries that have appropriate safeguards in place to prevent BSE," said Agriculture Secretary Mike Johanns. "We previously recognized Canada's comprehensive set of safeguards and we have now completed a risk assessment confirming that additional animals and products can be safely traded. Our approach is consistent with science-based international guidelines."


The proposal expands upon a rule published by APHIS in January 2005 that allowed the importation of certain live ruminants and ruminant products, including cattle under 30 months of age for delivery to a slaughterhouse or feedlot, from countries recognized as minimal-risk. In the rule announced today, APHIS is proposing to allow the importation of:

- Live cattle and other bovines for any use born on or after, March 1, 1999, the date determined by APHIS to be the date of effective enforcement of the ruminant-to-ruminant feed ban in Canada;
- Blood and blood products derived from bovines, collected under certain conditions; and
- Casings and part of the small intestine derived from bovines.


Meat and meat products from animals of any age, with specified risk materials removed, were addressed in the January 2005 final rule. In March 2005, APHIS published a notice of a delay of applicability of certain provisions of that rule. This delay affected only meat and meat products from animals 30 months of age or older. If the proposed rule announced today is made final, it would be consistent to lift the delay and also allow the importation of these products.

It is important to note that BSE transmission is prevented in bovines by a series of safeguards, including; slaughter controls and dead animal disposal, rendering inactivation, feed manufacturing and use controls, and biologic limitations to susceptibility. These


layers of protection work together to prevent spread of the disease.

The proposed rule will be published in the Jan. 9, 2007 Federal Register and is available on the web site at www.aphis.usda.gov. Comments are posted on the Regulations.gov website. 

Corn, Soybean Harvest Set Records


Corn and soybean production set record highs last year. According to the USDA's Crop Production Summary, the 2006 corn crop came in at an estimated 10.5 billion bushels — the third largest corn crop on record. Although record-setting, it is still 5 percent lower than the 2005 harvest. Soybean production totaled 3.19 billion bushels — the largest U.S. soybean crop on record and 4 percent above 2005. 

USDA Cost of Production Report Released

New cost-of-production report released
A new USDA report is available that shows monthly cost of production per hundredweight of milk sold. The estimates are available by state from January 2003 through November 2006. To access the data, follow this link: <http://www.ers.usda.gov/Data/CostsAndReturns/TestPick.htm#milkproduction> 

Theft of rBST in Kings County

Three suspects were recorded on a Kings County dairyman's surveillance video allegedly stealing \$30,000 worth of recombinant bovine somatotropin (rBST), a pharmaceutical used by dairy producers to enhance milk production. On the morning of Dec. 17, three suspects allegedly broke into the dairy producer's locked office and stole the supply of rBST. Detectives from Kings and Tulare counties reported that one suspect arrived at the dairy seeking employment, while three others walked away with the stored pharmaceutical. The theft of rBST is a significant problem for today's California dairy producers and is a common occurrence.

Sheriff's rural crime detectives believe that a large amount of the dairy pharmaceutical is likely resold on the black market in California or outside of the state and possibly even in Mexico. Criminals often stake out a dairy by applying for employment and even working at the dairy for a period of time. 

UC Davis Launches Foot and Mouth Disease Research Study With Online Survey

The Center for Animal Disease Modeling and Surveillance (CADMS) in the School of Medicine at UC Davis has launched a nationwide research study aimed at protecting the livestock industry from the devastating consequences of foot-and-mouth disease (FMD).

Livestock producers are asked to participate in an online survey to gather data on animal movements and husbandry practices that will be used in a simulation model to predict the duration and magnitude of a foot and mouth disease outbreak, as well as determine the best strategies for containment. This project is being conducted in collaboration with the National Center for Foreign Animal and Zoonotic Diseases and is supported by USDA and the Department of Homeland Security.

FMD is one of the most highly contagious diseases affecting cloven-hooved animals such as cattle, swine, sheep, goats and deer. In 2001 an outbreak of FMD in the UK resulted in catastrophic economic losses exceeding \$15 billion. As a result, at least 6 million animals were slaughtered. In the U.S., the economic impact of an outbreak is estimated to be as high as \$13 billion and every segment of the livestock industry would be severely affected.

FMD is on the top of the Department of Homeland Security's list for a bioterrorist attack on U.S. agriculture. Because it spreads so quickly and it is easily transmitted, the threat of FMD to the U.S. is very serious and we need to be prepared, says Tim Carpenter, School of Veterinary Medicine professor and director of the study. "Our model will provide decision-makers with a valuable tool for rapid response and will help determine the best strategies, including vaccination, to contain an outbreak and minimize impact to the livestock industry."

With no recent cases of FMD in the U.S. to use as an example (the last was in 1929), it is difficult to predict how an outbreak might spread in today's global environment. Information about the distribution of livestock nationwide, animal movements and husbandry practices in the U.S. is not current. This lack of knowledge hampers the implementation of an effective response strategy.

According to Carpenter, "the online survey will allow us to develop a model based on real, up-to-date data for animal movements and current practices that could

determine how the disease spreads. Only livestock producers can provide us with this information. This model would put the U.S. at the forefront in preparedness for not only foot-and-mouth but also other foreign animal diseases".

CADMS guarantees that all the information will be kept confidential and will only be used for modeling purposes.

The online survey can be found at:
www.cadms.ucdavis.edu.



Horse Slaughter Prevention Bill

Legislation will ban horse slaughter for human consumption.

U.S. Senator Mary L. Landrieu, D-La., introduced bipartisan legislation that will ban horse slaughter in the United States for human consumption. The "Virgie S. Arden American Horse Slaughter Prevention Act," S. 311, would amend the Horse Protection Act to prohibit the "shipping, transporting, moving, delivering, receiving, possessing, purchasing, selling, or donation of any horse or other equine to be slaughtered for human consumption."

In 2005, more than 90,000 U.S. horses were slaughtered for human food. The legislation has twelve co-sponsors, including Sens. Landrieu, John Ensign, R-Nev., Barbara Boxer, D-Calif., John Kerry, D-Mass., Jack Reed, D-R.I., Carl Levin, D-Mich., Thomas Carper, D-De., Lindsey Graham, R-S.C., Robert Menendez, D-N.J., Susan Collins, R-Maine, Olympia Snowe, R-Maine, and Robert Byrd, D-W.V., and similar legislation has been introduced in the U.S. House of Representatives.



CME Butter and Cheddar Cheese Sales Data

The CME Cheddar Cheese and Butter Sales vs. California Sales comparison, December 2004 through November 2006 was released in January 2007 and posted to the Branch website at:
http://www.cdfa.ca.gov/dairy/Manufacturing_Cost_Exhibits_CMEvsCASales.html




CWT Accepts Bids for Cheese and Butter

Cooperatives Working Together (CWT) has accepted 13 export assistance bids for the sale of cheese and butter. All bids were from Land O'Lakes of Arden Hills, MN. Five were for commodity-sized exports of butter and cheese: 60 metric tons (132,000 pounds) of Mozzarella cheese for South Korea, along with another 20 metric tons (44,000 lbs.) of Mozzarella to South Korea; 450 metric tons (990,000 lbs.) of butter to Mexico; 225 metric tons (495,000 lbs.) of butter to Turkey; and 57 metric tons (125,400 lbs.) of butter to Honduras.

The other eight accepted bids were for retail-sized lots of cheese and butter: 4.4 metric tons (9,680 lbs.) of cheese to the United Arab Emirates; 5.14 metric tons (11,330 lbs.) of cheese to China; 5.6 (12,320 lbs.) metric tons of cheese, and .4 metric tons (880 lbs.) of butter to the Philippines; 4 metric tons (8,800 lbs.) of cheese, and .08 metric tons (176 lbs.) of butter to Panama; 3.25 metric tons (7,150 lbs.) of cheese, and .65 metric tons (1,430 lbs.) of butter to South Korea.

These accepted bids increase CWT's total 2007 export obligations for cheese to 102.4 metric tons (225,280 lbs.), and its 2007 total export obligations for butter to 733 metric tons (1.6 million lbs.).

Previous shipments facilitated by CWT's export assistance program have gone to Algeria, Bahrain, Barbados, China, Denmark, the Dominican Republic, Egypt, El Salvador, Germany, Guatemala, Honduras, Hong Kong, India, Indonesia, Israel, Japan, Jordan, Kuwait, Lebanon, Mexico, Morocco, the Netherlands, Nicaragua, Oman, Qatar, Panama, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Trinidad, Tunisia, Turkey, the United Arab Emirates, and Vietnam.

Through CWT's Export Assistance program, transactions occur as overseas buyers are found for the products, and as CWT's members bid to be compensated for selling cheese, butter, anhydrous milk fat and whole milk powder to those importers. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2005, USDA estimates that overall milk production across the U.S. was up 2.4% in December, led by Colorado's 10.1% growth in milk production (on 9,000 more cows and 20 more pounds per cow). California's estimated production was up 3.9% (on 14,000 more cows and 55 more pounds per cow). Among the western states, Arizona was up 4.7%; New Mexico up 0.8%; and Washington was down -2.0%. Two of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2006 compared to the third quarter of 2006, U.S. milk cow numbers decreased to 9.116 million, production per cow was flat; the net effect was relatively no change in milk production to 44.6 billion pounds. USDA projects that for the first quarter of 2007 compared to the fourth quarter of 2006, U.S. milk cow numbers will decrease 30,000 cows to 9.085 million cows, production per cow will be up 165 pounds per cow; the net effect would be increased milk production to 46.0 billion pounds.

Milk Prices

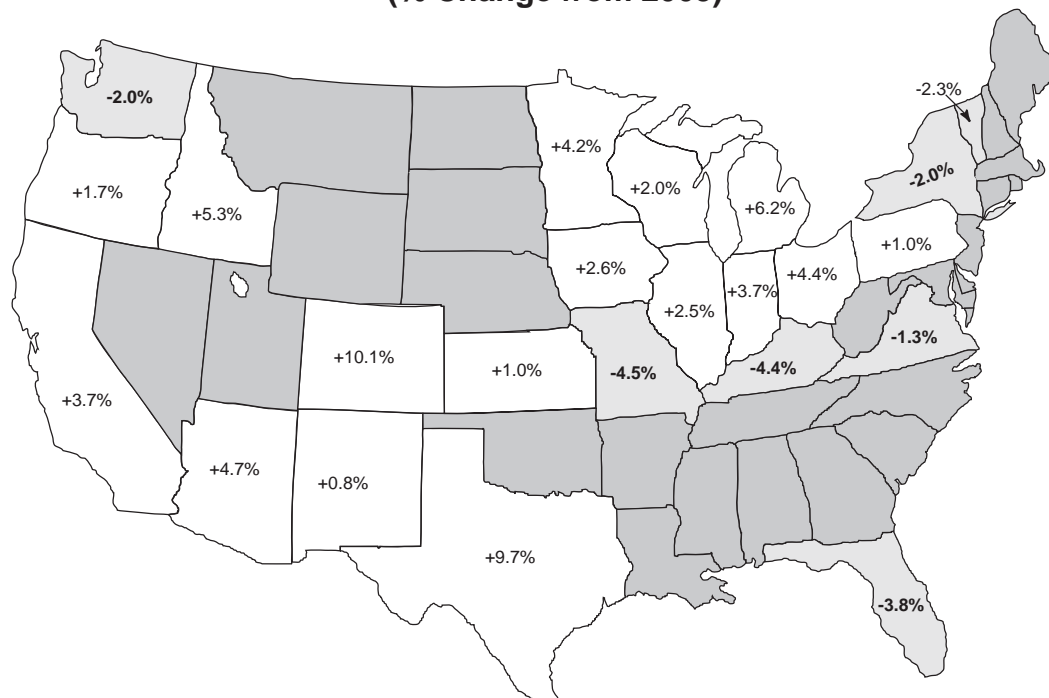
Comparing the fourth quarter of 2006 to the third quarter of 2006, U.S. average milk prices were up to \$13.87/cwt. USDA projects that for the first quarter of 2007, U.S. average all-milk prices will be \$13.95-14.35/cwt.; Class 4b prices will be \$12.55-12.95/cwt; and Class 4a prices will be \$11.69-12.19/cwt.

Utility Cow Prices

Comparing the fourth quarter of 2006 to the third quarter of 2006, average U.S. utility cow prices were down \$5.00/cwt. to a national average of \$44.29/cwt. USDA projects that utility cow prices will average \$45-47 in the first quarter of 2007.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

December Milk Production in the Top 23 States (% Change from 2005)



For the U.S. overall, comparing December 2006 to December 2005:

- U.S. Milk production during December was up 2.4%
- The number of cows on farms was 9.126 million head, up 60,000 head
- Production per cow averaged 1,667 pounds, 40 pounds more than December 2005
- Seven of the top twenty-three milk producing states showed an decrease in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California ^{1/} By Quarter, 2006-2007

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	15.35		12.32		11.72		11.76		12.01	
Total Costs & Allowances*	16.93		13.82		13.24		13.07		13.52	
2nd Quarter										
Total Costs	14.22		12.36		12.47		11.99		12.43	
Total Costs & Allowances*	15.76		13.88		14.00		13.31		13.94	
3rd Quarter										
Total Costs	14.62		12.58		12.73		12.56		12.71	
Total Costs & Allowances*	16.14		14.10		14.33		13.90		14.26	
4th Quarter										
Total Costs										
Total Costs & Allowances*										

* Includes an allowance for management and a return on investment

Hundredweight Pool Prices

Month	Quota	Overbase
June	\$14.56	\$12.86
July	\$14.99	\$13.29
August	\$14.65	\$12.95
September	\$15.26	\$13.56
October	\$15.07	\$13.37
November	\$14.35	\$12.65
December	\$14.41	\$12.71
January '06	\$13.91	\$12.21
February	\$12.75	\$11.05
March	\$12.19	\$10.49
April	\$11.90	\$10.20
May	\$11.90	\$10.20
June	\$11.90	\$10.20
July	\$11.71	\$10.01
August	\$12.13	\$10.43
September	\$12.80	\$11.10
October	\$12.87	\$11.17
November	\$13.31	\$11.61
December	\$13.50	\$11.80

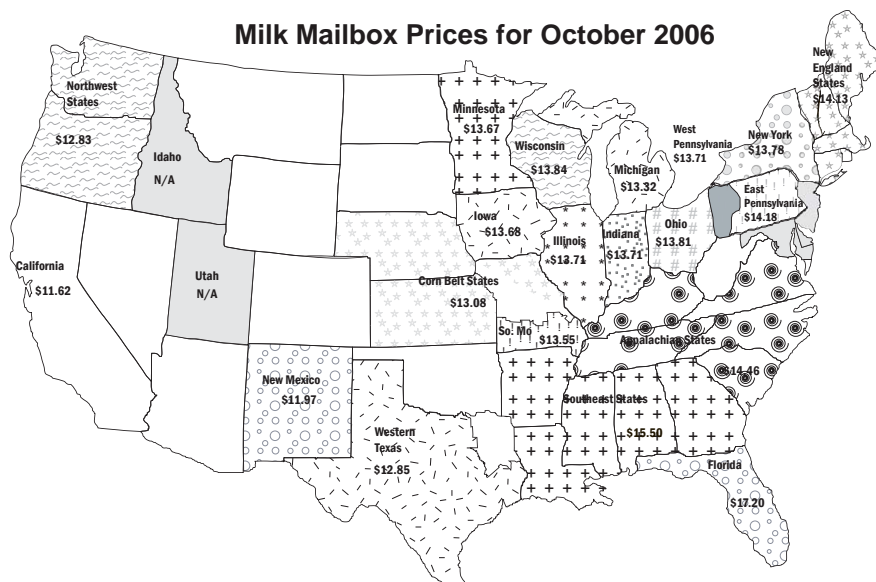
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	April	May	June	July	August	September	October
California ¹	\$10.64	\$10.45	\$10.42	\$10.16	\$10.63	\$11.44	\$11.62
USDA ²	\$11.92	\$11.80	\$11.75	\$11.67	\$11.93	\$12.88	\$13.65

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.



In October 2006, mailbox prices for selected reporting areas in Federal milk orders averaged \$13.65 per cwt., \$0.77 more than the figure for the previous month. The component tests of producer milk in October 2006 were: butterfat, 3.77%; protein, 3.13%; and other solids 5.70%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$17.20 in Florida to \$11.97 in New Mexico. In October 2005, the Federal milk order all-area average mailbox price was \$15.42, \$1.77 higher.

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